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SPEECH

OF

MR. WEBSTER, OF MASSACHUSETTS,

ON

INTRODUCING HIS PROPOSITION

FOR

THE DISTRIBUTION

OF

THE SURPLUS REVENUE.

IN SENATE OF THE UNITED STATES,

TUESDAY, MAY 31, 1836.

WASHINGTON:

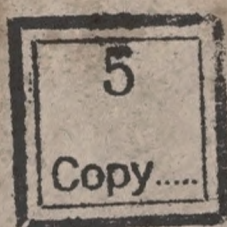
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SPEECH.

Mr. PRESIDENT: I have no desire to make myself responsible, in any special manner, for what may either be done or omitted, on this subject. It is surrounded with difficulties, some of them, as I think, unnecessarily created; and as these have been produced by measures in which I did not concur, it naturally belongs to others, who did concur in those measures, and who now possess the power, to apply the remedy according to their judgments, and on their own responsibility. But I incline, nevertheless, to express my opinions on a subject of such very high interest, and to let them have what weight they are entitled to, if it may be supposed that they are entitled to any weight at all.

On one point, I presume, we are all agreed, and that is, that the subject is of great importance. It affects the finances of the country, the security of the public money, and the state of the currency; and it affects, also, the practical and actual distribution of power among the several branches of the Government.

The bill comprises provisions for two objects:

First, regulations for the custody of the public money, between the time of its collection and the time of its disbursement; and, as naturally connected with this, it contemplates, or must at least very materially affect, the currency of the country, the exchanges, and the usual operations of credit in the commercial world.

The second direct object of the bill is, a reduction, positive or contingent, of the amount of money in the Treasury.

It seems probable, sir, the bill, so far as it respects the first of these objects, may be so modified as to receive the approbation of a majority of the Senate. A committee acting in a spirit of conciliation, and with an honest desire to avoid the points of former difference, might, I think, agree on the regulations to be prescribed to the deposit banks. The sentiments which have been advanced in the course of the discussion do not appear to be irreconcilable. In the present state of things,

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I see no way but to employ State banks as depositories of the public money ; and I have a sincere desire to subject them to such regulations, and such only, as shall make them, in the highest practicable degree, safe to the Government and useful to the country.

To this end, I am of opinion that the first step is, to increase their numbers. At present their number, especially in the large cities, is too small. They have too large sums in deposit, in proportion to their capital and their legal limits of discount. By this means the public money is locked up. It is hoarded. It is withdrawn, to a considerable extent, from the general mass of commercial means, and is suffered to accumulate, with no possible benefit to Government, and with great inconvenience and injury to the general business of the country. On this point there seems little diversity of opinion. All appear to agree that the number of deposit banks should be so far increased, that each may regard that portion of the public treasure which it may receive, as an increase of its effective deposits, to be used, like other moneys in deposit, as a basis of discount, to a just and proper extent.

I regard this modification of the present system as indispensable.

I think, too, that, for the use of these deposits, the banks should pay a moderate interest. They can well afford it. The best banks in the States will be ready, I do not doubt, to receive the deposits, on that condition among others. What the rate of interest should be, depends very much on what we may do with the surplus revenue. If we leave that surplus undistributed, the banks ought to pay a large interest. If we provide for distributing the surplus, thus leaving but a small amount in the banks, and making it their duty, at the same time, to transfer the public funds from place to place when requested, without charge, the rate of interest should of course be less.

I agree, too, to what has been suggested, respecting the authority to change those banks. They ought not to be changed, but for plain and specific cause, set down and provided for in the law itself. Any restriction less than this, will place a discretion in the hands of the Executive, which will be very capable of being abused.

Nor should the Secretary be at liberty to order funds from one bank to another, for any other reason than the exigencies of the public service. He should not be at liberty to use the

public treasures for the purpose of upholding the credit, or increasing the means, of any State institution.

The bill proposes that all the deposit banks shall be bound to keep, at all times, an amount of specie in their vaults bearing a certain proportion to their debts and liabilities. I approve of this, not so much from any belief that the solidity of the banks can be secured by any such provisions, as because a regulation of this kind may tend, in some measure, to retain a certain quantity of specie in the country, and by that means to secure, in some small degree, the general circulation against violent shocks. But I do not attach great importance to this.

In my opinion, Mr. President, if the bill pass with these modifications, a considerable benefit will be conferred on the community. Confidence will be, in some measure at least, restored; the banks will possess the power of useful action, and the distressing uncertainty which now hangs over every thing being dispelled, the commercial community will find its way out of its present embarrassment.

Still, sir, I am bound to say that the present system, in my opinion, can never be perfect. It can never be the best system. It can never be a safe regulator of the currency of country, nor furnish solid security against derangement. It can never give to the mercantile world the cheapest, safest, and best means of facilitating domestic exchanges. The State banks were not made for these general purposes; they are not fitted for them; they have not the unity and comprehensiveness of plan and of operation which the successful accomplishment of such purposes requires. They are subject to various limitations by their charters, and it may even be doubtful, in some cases, whether they can legally bind themselves in such stipulations and contracts as we propose to submit to them. They were established for local, not for general objects. They did not expect to receive Government deposits; and it might possibly be thought important to their stockholders and customers to be informed whether, in case of failure or insolvency, the *priority* of the United States would prevail, as in other cases, to the postponement of all other debts and claims. It is certainly my opinion, sir, that we are running great hazards with the currency of the country. I see no well-assured reliance for its safety in this system of deposit banks, regulated as well as they may be. Nevertheless regulation is necessary, nay, it is indispensable; and some present benefit at least would arise, I am persuaded, from the passage of a proper law.

I come now, sir, to the other important object of this bill — *the reduction of the amount of money* in the Treasury.

And here the first question is, whether there will be any surplus revenue. Will there be any thing to divide at the end of this year? On this point opinions are not agreed, but I think there will be a surplus, and a large surplus. I do not see any probability either of such a falling off of income, on the one hand, or such an increase of expenditure, on the other, as shall leave the Treasury exhausted at the end of this year. I speak of this year only, because the measure which I shall propose will be limited to the end of this year. My plan is to provide for the surplus which may be on hand at the end of this year, and to stop there. As to the probable state of the Treasury at that time, I agree it is matter of opinion and estimate; but we know what sum is on hand now, and we are drawing the session to a close, when appropriations will cease, and the year itself is already half expired. It would seem, then, that we ought to be able to judge of the state of the Treasury six months hence, without risk of great and wide mistake. I proceed on the following general estimate and calculation:

January 1, 1836: Amount of money in the Treasury,	-	-	-	-	\$25,000,000
Deducted unexpended balances of appropriations,					8,000,000
					<hr/>
					\$17,000,000
Revenue of the first quarter of 1836,	-				11,000,000
Estimate for the three last quarters of 1836,	-				25,000,000
Stock in late Bank of the United States, including premium,	-	-	-	-	8,000,000
					<hr/>
					\$61,000,000
Appropriations in 1836, estimated at	-	-	-	-	\$35,000,000
Deduct what will remain as unexpended balance at the end of the year,	-	-	-	-	14,000,000
					<hr/>
					21,000,000
					<hr/>
					<u>\$40,000,000</u>

This estimate, sir, does not rest solely on my own judgment. I find others acquainted with the subject, and compe-

tent to judge, coming to conclusions not far different from my own. It is true this rests in opinion. It cannot be mathematically proved that we shall have a surplus in the Treasury at the end of the year ; but the practical question is, whether that result is not so highly probable that it is our duty to make some provision for it, and to make that provision now. I propose only to divide the surplus. If it shall happen, after all, that there shall be no surplus, then the measure will have done no harm. But if the surplus shall not be forty millions, but only thirty-five, thirty, twenty-five, or even twenty, still, if it be now probable that it will reach even the lowest of these sums, is it not our duty to provide for it ?

This is a contingent measure, not a positive one. It is intended to apply to a case, in my judgment, very likely to arise, indeed, I may say a case which, in all probability will arise ; but if it should not, then the proposed measure will have no operation.

I have already observed that, in my opinion, the measure should be limited to one single division—one distribution of the surplus money in the Treasury. In that respect, my proposition differs from the bill of the honorable member from Carolina, and it differs, too, from the amendment proposed by the member from New York. I think it safest to treat the present state of things as extraordinary, as being the result of accidental causes, or causes, the recurrence of which, hereafter, we cannot calculate upon with certainty.

There would be insuperable objections, in my opinion, to a settled practice of distributing revenue among the States. It would be a strange operation of things, and its effects on our system of government might well be feared. I cannot reconcile myself to the spectacle of the States receiving their revenues, their means even of supporting their own Governments, from the Treasury of the United States. If, indeed, the land bill could pass, and we could act on the policy, which I think the true policy, of regarding the public lands as a fund, belonging to the People of all the States, I should cheerfully concur in that policy, and be willing to make an annual distribution of the proceeds of the lands, for some years, at least. But if we cannot separate the proceeds of the lands from other revenue, if all must go into the Treasury together, and there remain together, then I have no hesitation in declaring, now, that the income from customs *must be reduced*. It must be reduced, even at the hazard of injury to some branches of

manufacturing industry ; because this, in my opinion, would be a less evil than that extraordinary and dangerous state of things, in which the United States should be found laying and collecting taxes, for the purpose of distributing them, when collected, among the States of the Union.

I do not think it difficult to account for the present overflowing condition of the Treasury. The Treasury enjoys two sources of income—the custom-house and the public lands. The income from the customs has been large, because the commerce of the country has been greatly extended, and its prosperity has been remarkable. The exports of the country have continued to increase. While the cotton crop has grown larger and larger from year to year, the price of cotton has still kept up. Notwithstanding all the apprehensions entertained by prudent and sagacious men to the contrary, the world has not become overstocked with this article. The increase of consumption seems to keep pace with the increase of supply. The consequence is, a vast and increasing export by us, and an import corresponding with this export, and with the amount of earnings in the carrying trade ; since the general rule undoubtedly is, taking a number of years together, that the amount of imports, and the earnings of freights, are about equal to the of exports. The cotton-fields of the South most unquestionably form a great part of the basis of our commerce, and the earnings of our navigation another.

The honorable member from South Carolina has referred to the tariff act of 1828 as the true cause of the swollen state of the Treasury. I agree that there were many things in the act of 1828 unnecessarily put there. But we know they were not put there by the friends of the act. That act is a remarkable instance, I hope never to be repeated, of unnatural, violent, angry legislation. Those who introduced it designed, originally, nothing more than to meet the new condition of things which had been brought about by the altered policy of Great Britain in relation to taxes on wool. A bill with the same end in view had passed the House of Representatives in 1827, but was lost in the Senate. The act of 1828, however objectionable though it certainly was in many respects, has not been, in my opinion, the chief cause of the over-product of the customs. I think the act of 1832, confirmed by the act of 1833, commonly called the compromise act, has had much more to do in producing that result. Up to the time of the passing of the act of 1832, the *minimum principle* had been preserved

in laying duties on certain manufactures, especially woollen cloths. This ill-understood and much-reviled principle appears to me, nevertheless, and always has appeared to me, to be a just, proper, effectual, and strictly philosophical mode of laying protecting duties. It is exactly conformable, as I think, with the soundest and most accurate principles of political economy. It is, in the most rigid sense, what all such enactments, so far as practicable, should be; that is to say, a mode of laying *specific duty*. It lays the impost exactly where it will do good, and leaves the rest free. It is an intelligent, discerning, discriminating principle; not a blind, headlong, generalizing, uncalculating operation. Simplicity, undoubtedly, is a great beauty in acts of legislation, as well as in the works of art; but in both it must be a simplicity, the result of congruity of parts, and adaptation to the end designed; not a rude generalization, which either leaves the particular object unaccomplished, or, in accomplishing it, accomplishes a dozen others also, which were not desired. It is a simplicity which is wrought out by knowledge and skill; not the rough product of an undistinguishing, sweeping, general principle.

Let us suppose that the gradations in woollen cloths be represented by a line. At one end of this line are those of the highest price, and let the scale descend to the other end, where, of course, will be those of the lowest price. Now, with the two ends of this line our manufacturers have not much to do: that is to say, they have not much to do with the production of the very highest, or the very lowest, of these articles. Generally speaking, they work in the intermediate space. It was along this space, along this part of the line of work, that the minimum principle, as it has been usually called, operated. It struck just where the great object of protection required it to strike, and it struck nowhere else. All the rest it left free. It wasted no power. It accomplished its object by the least possible expenditure of means. Its aim was levelled at a distinct and well-discerned object, and its aim was exact, and the object was reached.

But the *minimum* had become the subject of obloquy and reproach. It was railed at, even, in good set terms, by some who professed to be, and who doubtless were, friends of the protecting policy. It was declared to be deception. It was said that it cheated the People, inasmuch as under its operation they did not see what amount of taxes they really paid. For one, I did not admit the fact, nor yield to the argument. I had

no doubt the People knew what taxes they paid under the operation of the laws, as well as we who passed the laws; and whether they stopped to make precise calculations or not, if they found the tax neither oppressive nor heavy, and the effect of the law decidedly salutary, I did not believe they would complain of it, unless it was made a part of some other controversy. The *minimum* principle, however, in its application to broadcloths, was overthrown by the law of 1832, and that law, as it came from the House of Representatives, and as it finally passed, substituted a general and universal *ad valorem* duty of fifty per cent. An effort was made in the Senate to resist this general *ad valorem* system, and to hold on to the specific duty. But it did not prevail. The Senate was nearly evenly divided. The casting or turning vote was held by a gentleman, a friend for whom I always entertain very high regard, a member from Maryland, not now in the Senate. After the discussion, he admitted himself *almost* satisfied that the law, in this particular, ought not to be altered; but his impression against the *minimum*, nevertheless finally prevailed, and he voted for the new mode, that is to say, the general *ad valorem* mode of laying the duty; and, to render this effectual, he himself proposed to cary that duty as high as sixty per cent. The Senate fixed it, indeed, at fifty-seven *per cent.* but the House non-concurred, and the law finally passed, as all know, establishing an *ad valorem* duty of fifty per cent. on woollen cloths, &c.

Now, Mr. President, when we recollect that the duties on woollen fabrics, of all kinds, bring into the Treasury four, or five, or six millions a year, every man acquainted with our manufactures must see at once that a portion of this vast sum is perfectly useless as a protecting duty; because it is imposed on fabrics with which our own manufacturers maintain no competition, and in regard to which, therefore, they ask no protection. I have instituted sundry inquiries for the purpose of learning, and of showing, what is the amount of duties collected annually on woollens, which have no distinct bearing, as protecting duties, on any of the products of our manufactures. At present I will only say, and will say that with great confidence, that of the surplus money now in the Treasury several millions are the proceeds of *ad valorem duties*, which have conferred no perceptible benefit whatever on our manufacturing establishments. It is therefore, sir, that I regard the law of 1832, and not the law of 1828, as the great error in our

legislation. This law of 1832 was confirmed by the act of 1833, and is, of course, in actual operation at the present moment, except so far as it has become affected by the gradual reduction provided for by the last-mentioned act. I wish not to discuss the act of 1833. I do not propose, at present, to disturb its operation; but having alluded to it, I take the occasion of saying that I have not the least idea that that act can remain as the settled system of this country. When the honorable member from Kentucky introduced it, he called it a measure of conciliation, and expressed the hope that if the manufacturing interests should be found to suffer under it, it might be modified by general consent. Although never concurring in the act, I entertain the same hope. I pray most fervently that former strifes and controversies on the tariff question may never be revived; but at the same time it is my opinion that the principles established by the law of 1833 can never form the commercial system of this country.

But, Mr. President, the most striking increase in the public revenue is in that branch of it which is derived from the sales of the public lands. How happens it that the proceeds from this quarter have sprung up, thus suddenly, to such a height? The Secretary's estimate of the proceeds of the sales of the public lands for this year was only four millions. The actual sales are likely to be twenty. What has occasioned this great and unexpected augmentation?

Sir, we are to remember that the growth and prosperity of the country, generally, are remarkable, and that, as these increase, the western tide, both of People and property, increases also. The reflow of this property is into the Treasury through the land offices.

The well-sustained demand for cotton has, of course, augmented the demand for cotton lands; and we all know that good lands, for the production of that crop, are sought for with great eagerness. We are to include, too, the great expansion of the paper circulation among the causes tending to produce heavy purchases; and the amount of foreign capital that has found its way through one channel or another, into the country, and is giving an additional stimulus, and additional facility to enterprises, both public and private. Many of the States have contracted large debts, for purposes of improvement, and these stocks have gone abroad. I suppose there may be fifty millions of State securities now owned in Europe. Foreign capital, also, has been introduced, to a great extent of late, as

the basis of commercial enterprise; a thing ordinarily to be expected, when we look to the low rates of interest abroad, and the great demand for money at home. It would be hazardous to estimate proportions, and amounts, on such a subject; but it is certain that a large amount of property now afloat, in ships and goods, owned by Americans, and sailing and transported on American account, is put into commercial operation by means of foreign capital actually advanced, or acting through the agency of credit. This introduction of foreign capital, in all the various forms, has doubtless had some effect in extending our paper circulation, and in raising prices; and certainly it has had a direct effect upon the ability of making investments in the public lands.

And, sir, closely connected with these causes, is another, which I should consider, after all, the main cause, that is, the low price of land, compared with other descriptions of property. In every thing else prices have run up; but here price is chained down by the statute. Goods, products of all kinds, and indeed all other lands, may rise, and many of them have risen, some twenty five and some forty or fifty per cent.; but Government lands remain at a dollar and twenty-five cents an acre; and vast portions of this land are equal, in natural fertility, to any part of the globe. There is nothing, on either continent, to surpass their quality. The Government land, therefore, at the present prices, and at the present moment, is the cheapest safe object of investment. The sagacity of capital has found this out, and it grasps the opportunity. Purchase, it is true, has gone ahead of emigration; but emigration follows it, in near pursuit, and spreads its thousands and its tens of thousands close on the heels of the surveyor and the land-hunter. When I traversed a part of the Western States, three years ago, I could not but ask myself, in the midst of the vast forests around me, Where are the people to come from who are to begin cultivation here, and to checker this wilderness with fields of wheat? But, when returning on the Cumberland road, or while passing along other great channels of communication, I encountered the masses of population moving westward, I was tempted to ask myself, on the other hand, a far different question, and that was, Where in the world will all these people find room to settle?

Nor are we to overlook, in this survey of the causes of the vast increase in the sale of lands, the effects, almost magical, of that great agent of beneficence, prosperity, wealth, and

power—INTERNAL IMPROVEMENT. This has brought the West to the Atlantic, and carried the Atlantic to the West. Ohio, Indiana, Illinois, Michigan, and Wisconsin are no longer places remote from us. Railroads and canals have brought the settlers of these regions so near to us that we almost see the smoke of their cabins and hear the strokes of their axes. From Maine to the upper Mississippi is already a beaten track, with one's acquaintances every where along the road, and that road even not a long one, if we measure it by the time required to pass over it.

Mr. President, if I am asked how long these causes, or any of them, will continue to act, with this effective energy, I readily answer that I cannot foresee. Nor can I foresee other events, which may affect our revenue in years to come. And it is for this reason precisely, that what I propose is limited to a single year. All the uncertainties and contingencies which naturally belong to human affairs, hang over us. I know not what expenditures may be called for next year. I know not what may be necessary to satisfy the all-absorbing capacity of Indian wars and Indian treaties. I know not what events, at home or abroad, may shake our commercial security. I know not what frosts and blights may do against the cotton crops. I know not what may happen to our currency. I cannot tell what demands for the use of capital in other objects may slacken the purchase of public lands; for I am persuaded that, hereafter, our income from that source is likely to be much more fluctuating than heretofore, as depending less on the actual amount of emigration, and more on the occasional plenty or scarcity of money. Emigration must hereafter supply its wants, much more than formerly, out of lands already separated from the public domain.

Under these circumstances, it appears to me to be prudent to limit the proposed division to a single operation. Let us lighten the Treasury for once; and then let us pause, and contemplate our condition. As to what may then be expedient, events will enlighten us. We shall be able to judge more wisely, by the result of our experiments, and the future will be more visible as it approaches nearer.

It will be observed, sir, that I give full time to the deposit banks to prepare themselves to pay over these funds. Time for this purpose is indispensable. We might do rather harm than good, if we were to require any sudden operation of that kind. Give the banks time; let them know what they have

to do ; let the community see into what channels the surplus funds are to flow, and when they are to begin to flow ; and men of business will then be able to see what is before them.

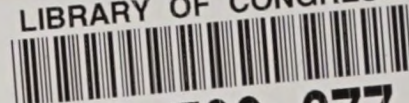
I have the fullest confidence that if we now adopt this measure, it will immediately relieve the country. It will remove that severe and almost unparalleled pressure for money which is now distressing and breaking down the industry, the enterprise, and even the courage of the commercial community. I assure you, sir, this present pressure is not known, or felt, or believed here, in any thing like its true extent. If we give no relief, I know not what may happen, even in this day of high prosperity. I beseech those who have the power, not to let the opportunity pass, but to improve it, and thereby to revive the hopes and reassure the confidence of the country. Having expressed these sentiments, and brought forward this specific proposition for one division among the States of the surplus funds, I should now move to commit the whole subject, either to a select committee, or the Committee on Finance, were it not that, looking to the present composition of the Senate, I am not desirous of taking a lead in this measure. The responsibility naturally rests with those who have the power of majorities, and who may expect the concurrence of other branches. Meantime I cheerfully give myself to any labor which the occasion requires, and I express my own deep and earnest conviction of the propriety and expediency of the measures which I have endeavored to explain and to support.

Mr. W. then proposed the following as an amendment to the "bill to regulate the deposits of the public money," as an additional section :

SEC. . *And be it further enacted*, That the money which shall be in the Treasury of the United States on the first day of January, eighteen hundred and thirty-seven, reserving — millions, shall be divided among the several States, in proportion to their respective amounts of population, as ascertained by the last census, and according to the provision of the second section of the first article of the constitution ; and the Secretary of the Treasury shall pay the same to such persons as the several States may authorize to receive it, in the following proportions, and at the following times, viz : one-half on the first day of April, eighteen hundred and thirty-seven ; one-quarter part, on the first day of July, eighteen hundred and

thirty-seven ; and the remaining quarter on the first day of October, eighteen hundred and thirty-seven ; and all States which shall receive their several proportions according to the provisions of this act, shall be taken and understood thereby to pledge the public faith of such States to repay the same, or any part thereof, to the United States, whenever Congress shall require the same to be repaid by any act or acts which shall require such payment ratably, and in equal proportion, from all the States which had received the same.

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